

The Treasury Note



A monthly newsletter
of municipal finance
December 1, 1996

UNEMPLOYMENT RATE DROPS BELOW 7%

California's unemployment rate for October dropped to 6.9% for the first time since December 1990. The unemployment rate a year ago, in October 1995, was 7.8%. The Employment Development Department reported that nonfarm payroll employment was 12,851,800 in October, a net gain of 25,700 from September. This was the eleventh consecutive month of record high payroll employment in California. The number of unemployed continued to decline, dropping to 1,069,000 in September 1996. This was 142,000 less than a year ago and is the lowest number of unemployed in California since January 1991.

CALIFORNIA'S REFUNDINGS SAVE MONEY

On November 5, the State Treasurer took advantage of favorable market conditions and sold \$266 million in Department of Water Resources (DWR) revenue bonds. The sale refunded outstanding bonds and commercial paper as well as provided funding for projects related to the State's 647-mile aqueduct system. The Treasurer was able to save California taxpayers \$12 million on the refunding portion of the sale.

On November 12, the State Treasurer sold \$47 million of State Public Works Board bonds for the Department of Corrections' State Prison in Imperial County. The sale was the final in a series of refundings packaged together in a master refunding plan that saved taxpayers nearly \$33 million.

On November 19, the State Treasurer sold \$341 million of lease-purchase bonds for the San Francisco Building Authority. The proceeds will be used for the renovation of the historic Warren Building and the construction of a new office building and parking facility.

BONDS TO REFINANCE PUBLIC UTILITIES' "STRANDED COSTS"

A historic piece of legislation, Assembly Bill (AB) 1890, was signed into law recently. It deregulates California's public utilities industry. Consumers will be able to pick and choose their utility company the same way they do their telephone company. This competition, over the long-run, should result in lower rates for consumers. The legislation also guarantees rate cuts of 20% over the next six years.

The bill authorizes the issuance of Rate Reduction Bonds (RRB) to refinance the investor-owned and participating public utilities' stranded costs - commonly known as uneconomical assets. These RRBs will be paid off by revenues collected from rate-payers in the future. These RRBs may be sold during the latter part of 1997.

VOTERS APPROVE TWO BOND MEASURES

Californians approved two of three General Obligation (GO) bonds on the ballot last month. The three GO bonds were: Proposition 204, \$995 million for water programs; Proposition 205, \$700 million for county juvenile and adult jails; and Proposition 206, \$400 million for the veterans farm and home program.

According to a report from the Secretary of State's Office: Proposition 204 was approved by the voters, 63% for, 37% against; Proposition 206 was approved by the voters, 54% for, 46% against. The voters defeated Proposition 205, 59% to 41%.

With the passage of two bond measures, the State now has approximately \$8.3 billion of unissued GO bonds that have been authorized.

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Ask the State Treasurer

Q: Will I be notified if my State of California bonds are called?

A: If you are the owner of Bearer Bonds, a notice of any impending calls will be published in financial newspapers such as *The Bond Buyer*. If you hold registered State of California bonds, a notice will be mailed to you prior to the redemption date.

Q: I found an uncashed registered interest check, issued by the State Treasurer's Office, which is over four years old. What should I do?

A: State-issued checks that are over four years old cannot be negotiated by your bank. Please mail the check to our office so we can initiate the process to obtain a replacement check by filing a claim on your behalf.

???QUESTIONS???

Do you have a question you would like to ask the Treasurer? Send it to the *Investor Relations Program* at the address on the previous page.

Listing of Redemptions

This listing reflects redemptions officially announced as of December 1, 1996. These bonds will be redeemed on January 1, 1997.

California Housing Finance Agency Single Family Mortgage Purchase Bonds, 1976 Series A (Federally Insured or Guaranteed Mortgage Loans) (Partial redemption)
\$2,620,000 due January 1, 2008 will be redeemed.

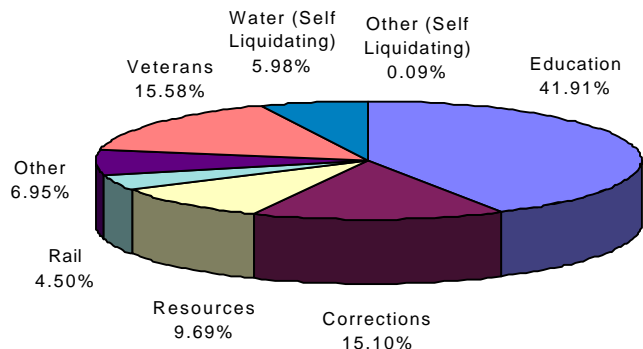
If there are any questions regarding the purpose or timing of this call, please call (916) 653-3451. For redemption or registration information, please call (916) 653-2884.

The Treasury Note Mailing List

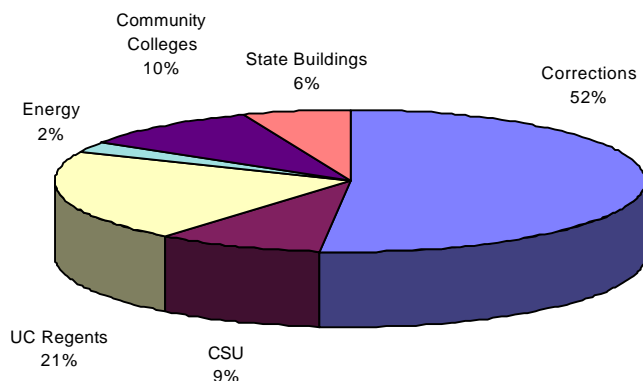
If you would like to be on the mailing list to receive *The Treasury Note* monthly, please send your name and address to the *Investor Relations Program* at the address on the previous page.

For Your Information

**Programs Supported by G.O. Bonds
(Principal Outstanding)
As of November 1996**



**Programs Supported by
Lease-Purchase Bonds
(Principal Outstanding)
As of November 1996**



Bond Sales Calendar*

If you are interested in purchasing any of these bonds, please contact your broker about two weeks before the sale date. For updated information regarding upcoming sales, please contact the State Treasurer's office at (916) 653-3243.

BOND SALES	AMOUNT in millions	SALE DATE
California State University-Student Union Revenue Bonds	\$17	December 1996
Department of Veterans Affairs, Home Purchase Revenue Bonds	\$100	January 1997
Oakland State Office Building, JPA Lease Purchase Revenue Bonds	\$175	Spring 1997
State Public Works Board, California Museum of Science and Industry, Lease Purchase Revenue Bonds	\$32	Spring 1997

*Subject to change without notice